

SECRET

SUBJECT: Collection of Foreign Information Through Commercial
Channels (1919-1920)

OSD Declassification/Release
Instructions on File

The following data was taken from various memoranda on this
subject in the War Department files (51-202-5061. Correspondence of M-1-5 C-2 MN)
(covering the period 1919-1920).
It is believed that ~~they~~ this information will be of value in
planning the "Domestic Branch".

Contacts with commercial sources were limited to the
head of the organization concerned so that no one else in the
organization ~~xxxxxxx~~ needed to know of the connection with
Military Intelligence, ~~unless he believed it necessary in~~
~~order to accomplish the mission.~~

Questionnaires were sent to the heads of the selected
~~organixxtion~~ organizations and they then secured the desired
information from their own people, ostensibly for the use of the
head of the ~~xxxxxxxtion~~ corporation himself. The foreign
agents of these corporations did not know that any of the information
sent in by them was eventually going to the War Dept.

The policy was that
the head of a corporation had the necessary authority
to give Military Intelligence any information which is available
to him which would not be true of individuals in subordinate
positions.

The connection with the commercial organizations was not
known to anyone outside the then Military Intelligence Division,
and it was not ~~xxxxxxxtion~~ considered out of order for the M/A's

SECRET

SECRET

to be (possibly) securing information in the field from agents of the same corporations which were contacted by MID.

"Experience has shown that the secret connection made with the head of a corporation was the best way to have proposed the matter to them. It makes the connection an informal, unofficial one, which can be severed at any time and which they are not bound to observe by official action of theirs or ours".

After five months of operation (to Jan 1919) connections had been made with 25 firms and the results varied widely from prompt and generous replies to questionnaires, to no answer at all. The difficulties were listed as follows:

- a. Corporations are not used to giving information to the military.
- b. Hostile attitude which corporations feel toward the government.
- c. Lack of any organized effort to secure information for military purposes in the past.
- d. Ignorance of our purpose.
- e. Natural suspicion in the minds of business men when asked to give something ~~where~~ they have no immediate return.
- f. Fear that the interests represented ~~may~~^{might} be endangered through the disclosure of confidential matters.
- g. Suspicion that ~~this~~^{was} ~~may~~ be an effort on the part of the Government to insinuate itself into the affairs of corporations against their interests.
- h. Inability of corporations to see that their information gathering possibilities are as valuable to the War Dept. in peace as in war.

SECRET

~~SECRET~~

- i. Questionnaires covered items of a general nature on which correspondents had only inexact information.

Commercial sources of information were not divulged to the users of the information collected. Protection of the commercial sources of information was believed to warrant precedence over any reduction in value of information because the source was not known to the user.

Reports were sent to the War Dept. from the commercial sources in various ways, the majority used double envelopes with the inner one addressed personally to an officer in MID, or they ~~were~~ sent by the commercial concern to an address in Philadelphia where they were re-addressed to an officer in MID.

In some cases the commercial contact did not even want his own office to know that he was in communication with MID.

Each contact ^{was} ~~is~~ given a code letter and they ^{were} ~~are~~ used in signing the reports sent to MID. All questionnaires sent out by MID ~~were~~ on plain paper with the contacts code letter as the only identification; double envelopes were used with the inner one addressed to the personal attention of the contact.

COMMENTS:

On the basis of the experience of 25 years ago, it appears that certain difficulties can be avoided by the new Domestic Branch by taking advantage of this ~~previous~~ experience.

- a. Contacts with commercial sources should be made with the head of the organization concerned.
- b. Protection of the ^{individual} ~~source~~ of information, and of the program as a whole, is paramount.
- c. Questionnaires should not be used. The information requirements of the War Dept., as outlined in the BID, are so broad that they encompass all the information which any commercial organization would need for the successful conduct of its operations in international ~~xxx~~ trade.
- d. We should ask for copies of the reports which these corporations are receiving for their own use from their representatives abroad. Only after the program is well established and in very special cases should we request the commercial sources to obtain a specific piece of information.

~~SECRET~~

SECRET

- e. It is essential that commercial contacts be made aware of the broad scope of information required by the Military Intelligence Service and the fact that the very same information which is vital to the successful operation of the organization concerned in any foreign field is just as vital to the War Department for the effective planning of national security. Many business men may not be aware of the fact that military intelligence is interested in economic, political, and Who's Who information, as well as purely military subjects.
- f. It should be obvious that any American corporation in foreign operations, and particularly those with valuable properties abroad (plants, oil fields, etc.) are vitally concerned with practically every item of information listed in the BID under Economic, Political, and Who's Who in particular, and in a general way, in all the other items in varying degrees depending on the type and extent of the foreign operation being conducted.
- g. In the Middle East for example, it is doubtful if even the War Department has as keen an interest in every type of information from that area than the Standard Oil of California and the Texas Co. who have properties on Bahrein Island and exploration rights in Saudi Arabia. Standard Oil of N.J. has its assets located in almost every country in the world.
- h. As a matter of fact, we ~~might~~ can probably secure better information from corporations by asking for all foreign information which they receive and which they consider important for their own use than we could by trying to tell them what information was of interest to us. The very fact that these people consider an item of information important is sufficient to give it a high value as a piece of information.
- i. *That the War Department have all such information is in the interest of each company contributing.*

SECRET

List of Commercial Contacts

National City Bank
J.P.Morgan & Co.
U.S.Steel Corp.
General Electric
W.R.Grace & Co.
Singer Sewing Machine
Texas Co.
American Tobacco Co.
U.S.Rubber Co.
Brown Brothers & Co.
United Fruit Co.
Standard Oil of N.J.
American Locomotive Co.
International Harvester
First National Bank of Boston
American Express Co.
Guaranty Trust Co.
Standard Oil of N.Y.
United Shoe Machinery Co.
American Smelting & Refining
Armour & Co.
Swift & Co.
Sinclair Oil Co.

SECRET

Re reciprocal exchange of information between MIS and commercial contacts:

Gen.
Ltr. 4 Mar 1922 51-144 Maj./Churchill, Gen. Staff, to
L/C W.C.Sweeney, G-2, 1st Corps Area: "Generally speaking, we are very anxious to make this proposed arrangement mutually beneficial to G-2 and the company concerned". "In return for this cooperation from the company we are, in the case of particularly reliable firms who will not quote us, prepared to furnish them with basic compiled data on any country in which they are interested. We are also prepared, within the limits of our appropriation, to furnish them with such maps of foreign countries as they may require".

Misc. Comments: In a memo dated 17 June 1921 (then Maj.) Sherman Miles stated that contacts with commercial concerns should be made in civilian clothes; contacts do not like to run the risk of it being known that W/D officers are regular visitors.

17 Jan 1922 the then G-2 expressed doubts as to the advisability of having commercial contacts carried on by the 2nd. Corps Area.

SECRET